



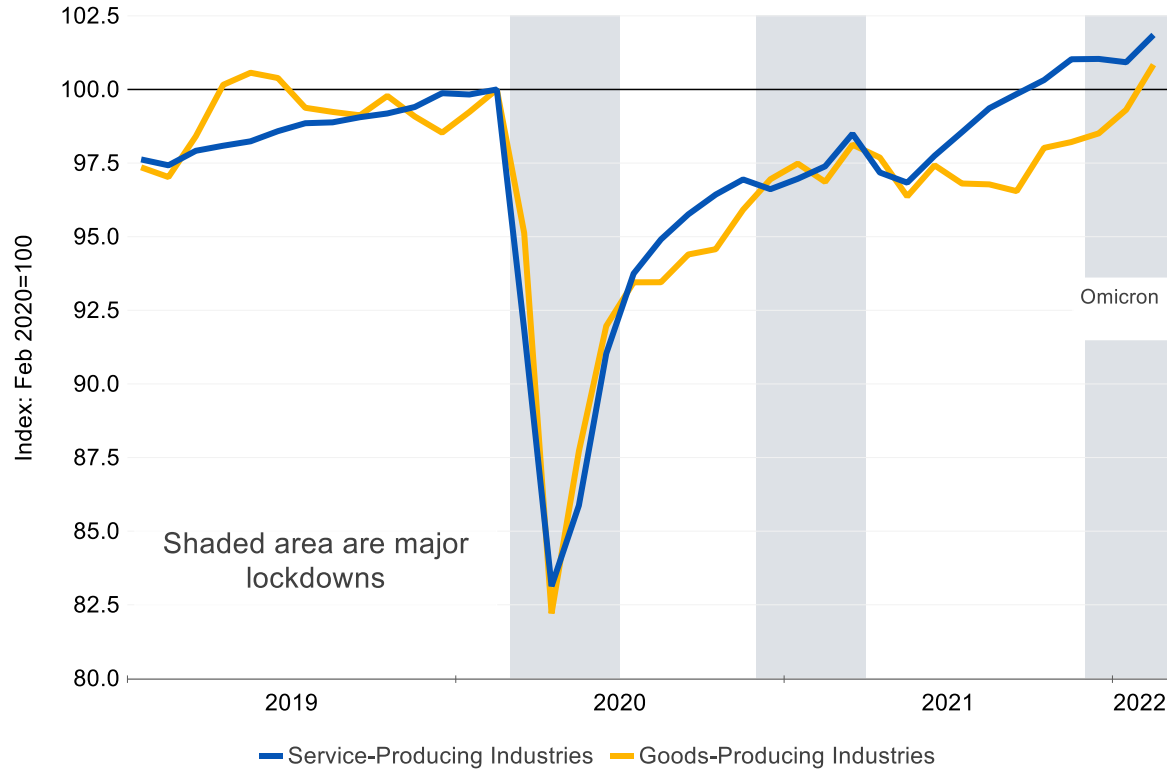
Economic and Commercial Real Estate Market Update: The Long & Winding Road to Recovery

Carl Gomez – Chief Economist & Head of Market Analytics

May 18th, 2022

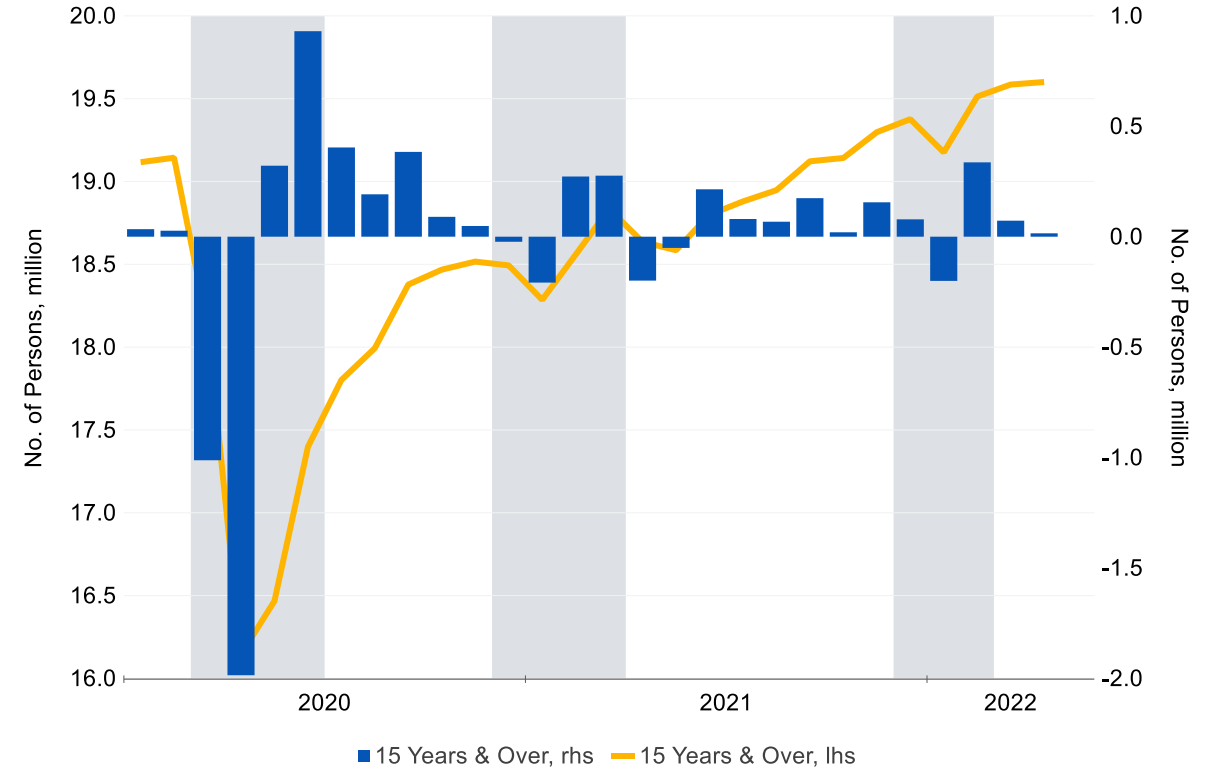
Economy Not Completely Out of the Woods

Real GDP Growth By Industry



Source: Macrobond, Costar, StatCan

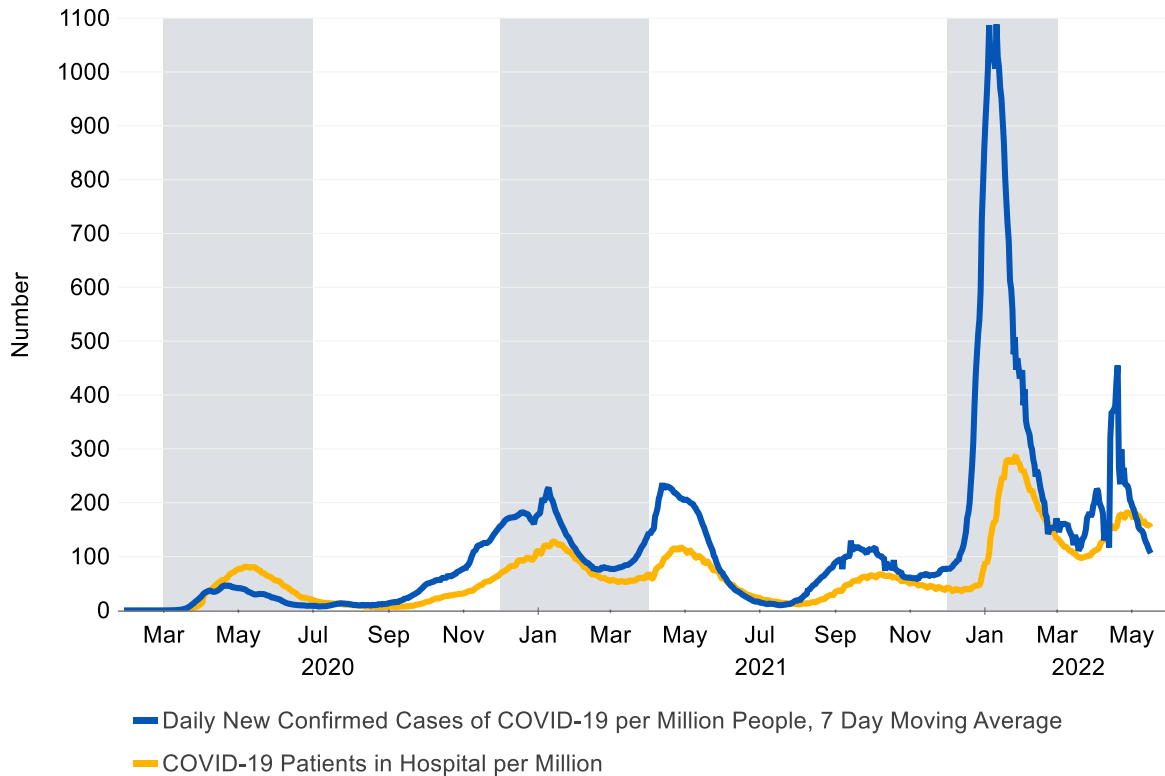
Canadian Employment Growth



Source: Macrobond, Costar, StatCan

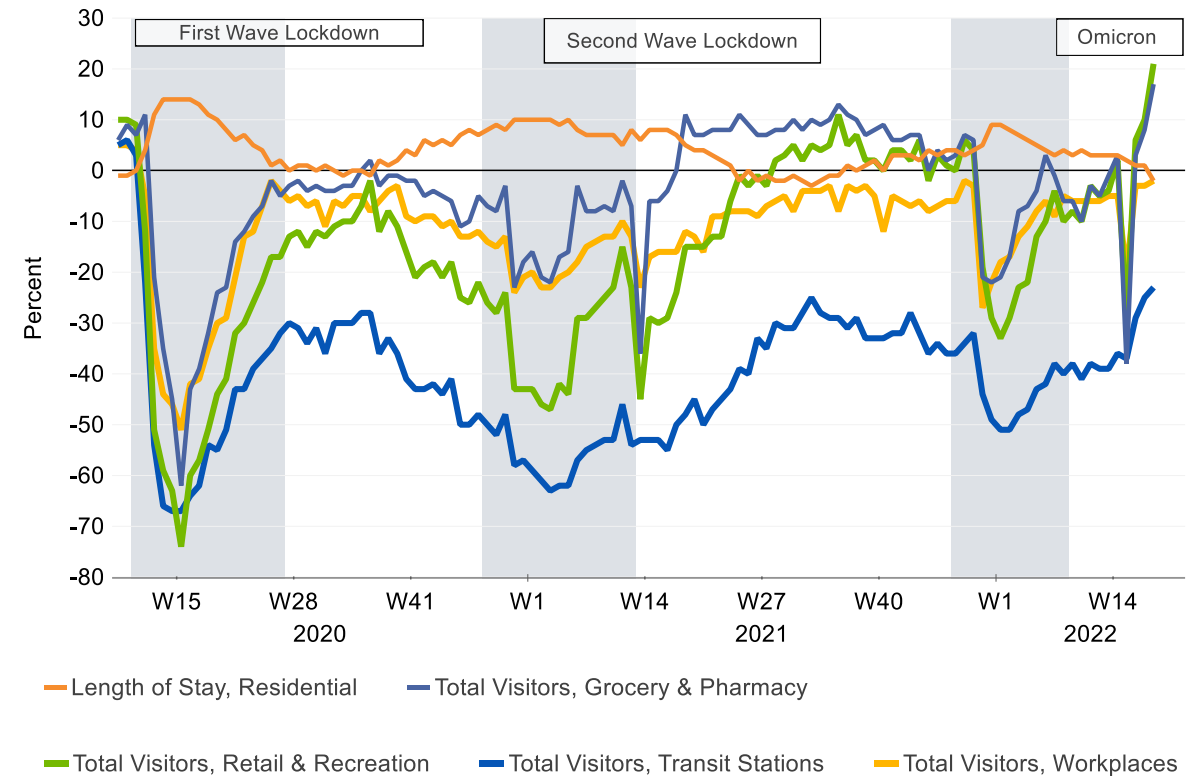
Canadian Mobility is Recovering

Canada, Novel Coronavirus (COVID-19)



Source: Macrobond, Costar, Our World in Data

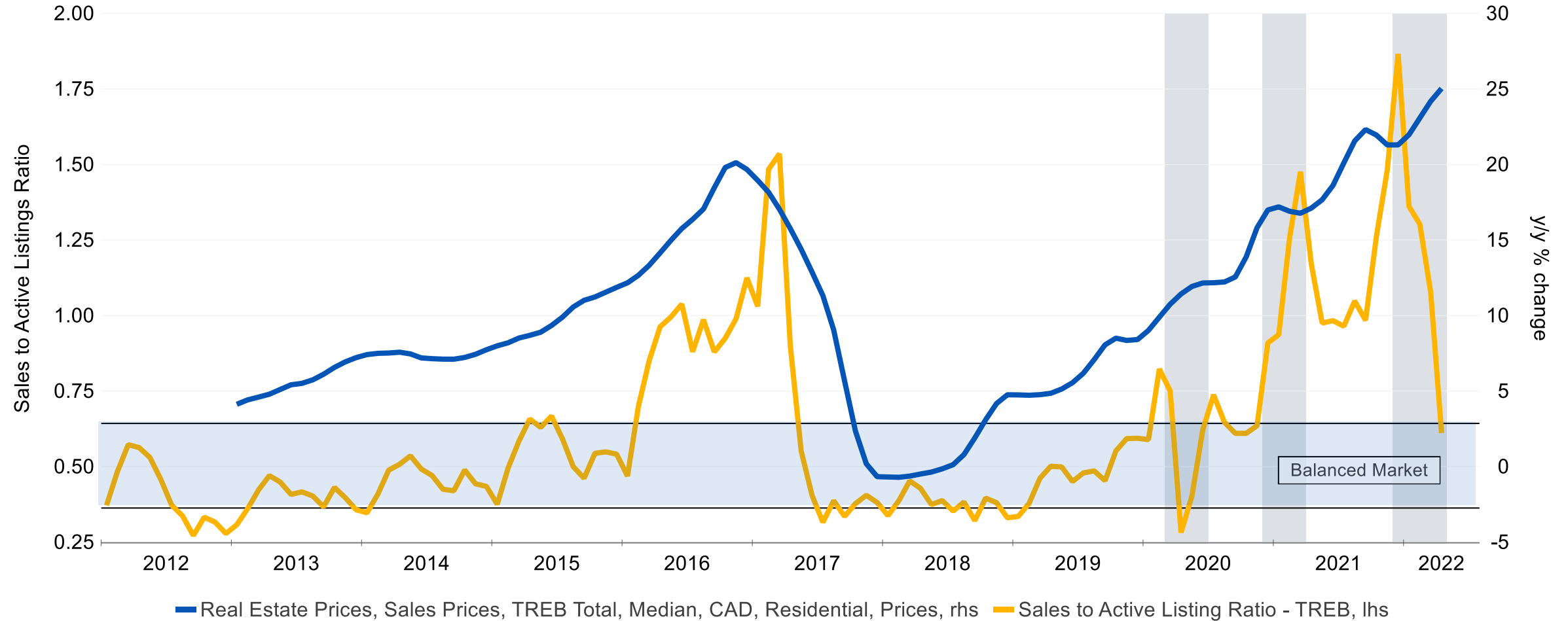
Google Mobility By Sector



Source: Macrobond, Costar, Google

Covid Accelerated Housing Market But Balance is Returning

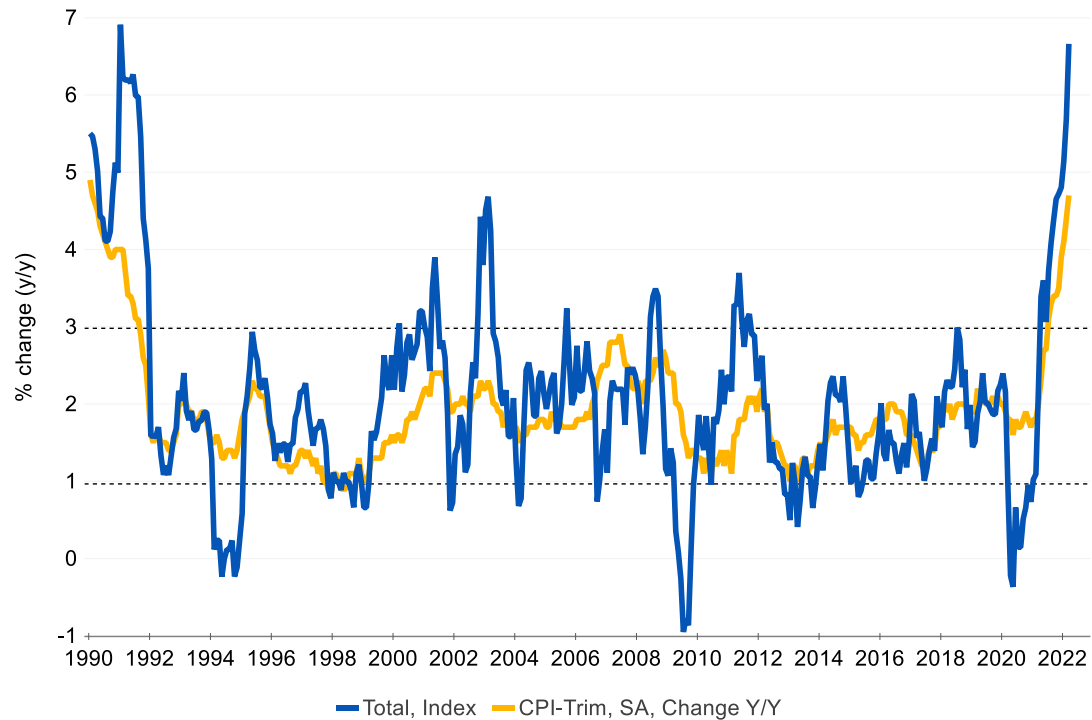
Sales to Active Listings Ratio: Greater Toronto



Source: Macrobond, Costar, TREB

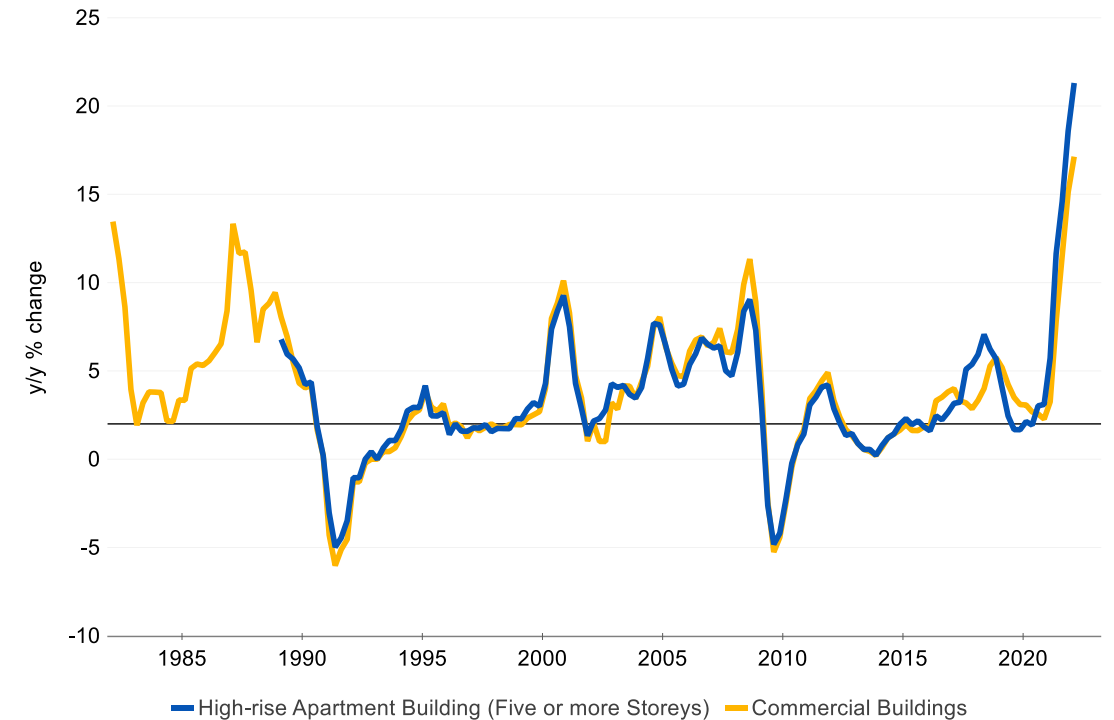
Cost Pressures Increase Across the Board

Canada, Consumer Price Index



Source: Macrobond, Costar, StatCan

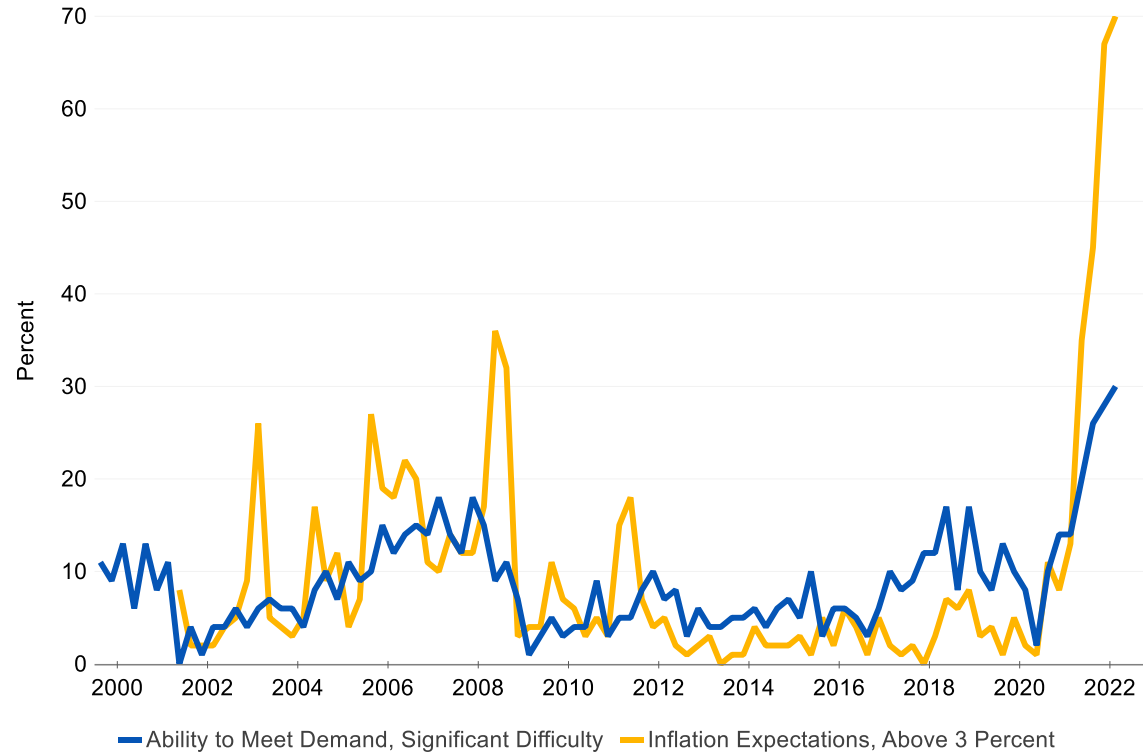
Building Construction Costs



Source: Macrobond, Costar, StatCan

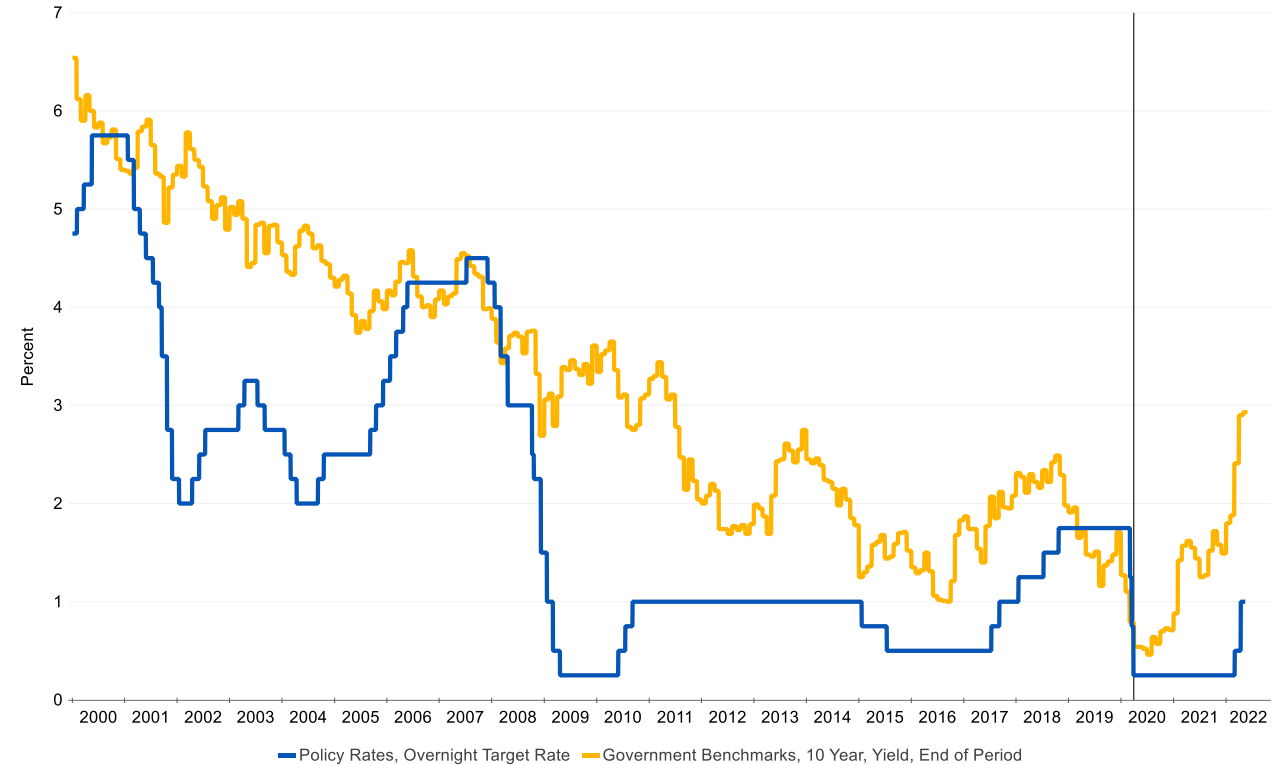
Interest Rates Must Become Less Stimulative

Bank of Canada Business Outlook Survey



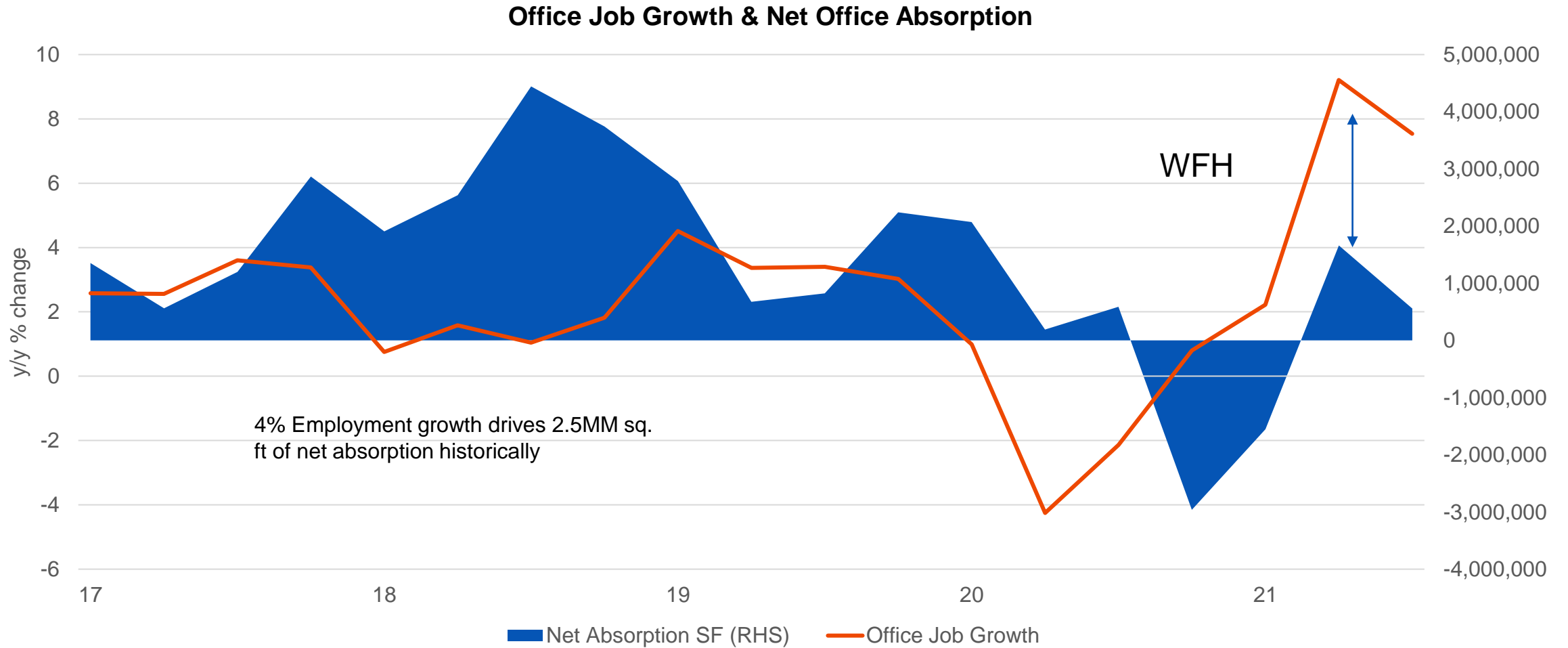
Source: Macrobond, Costar, BoC

Canadian Interest Rates

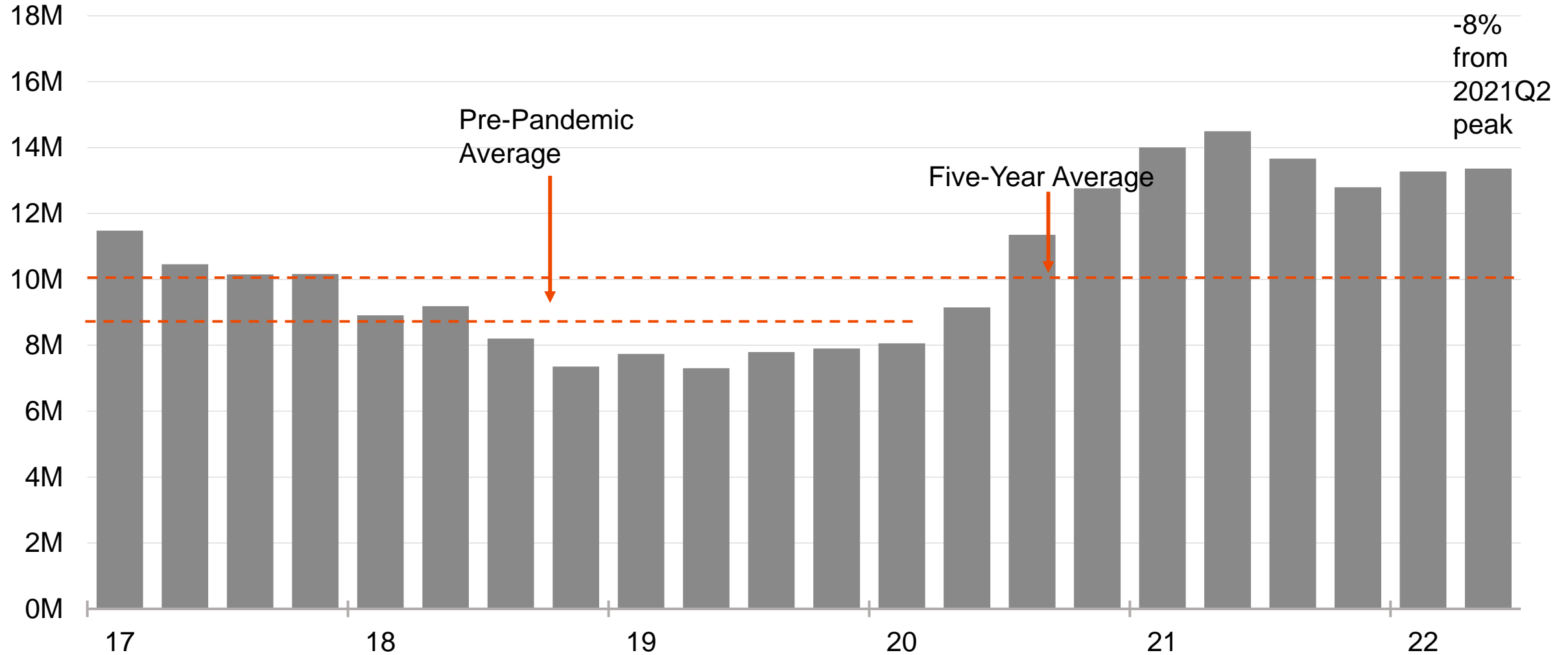


Source: Macrobond, Costar, Macrobond, BoC

Canadian Office Demand Altered By Remote Work

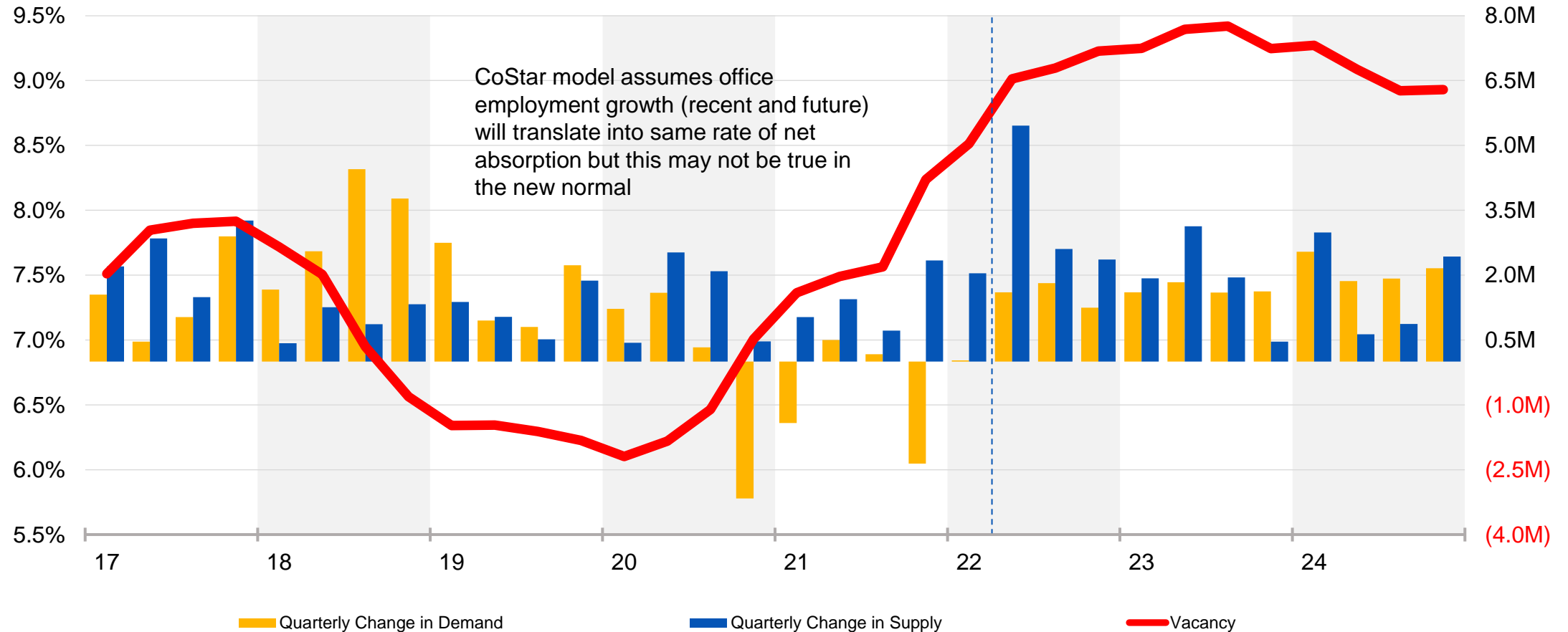


Sublease Space Elevated As Tenants Continue to Re-assess

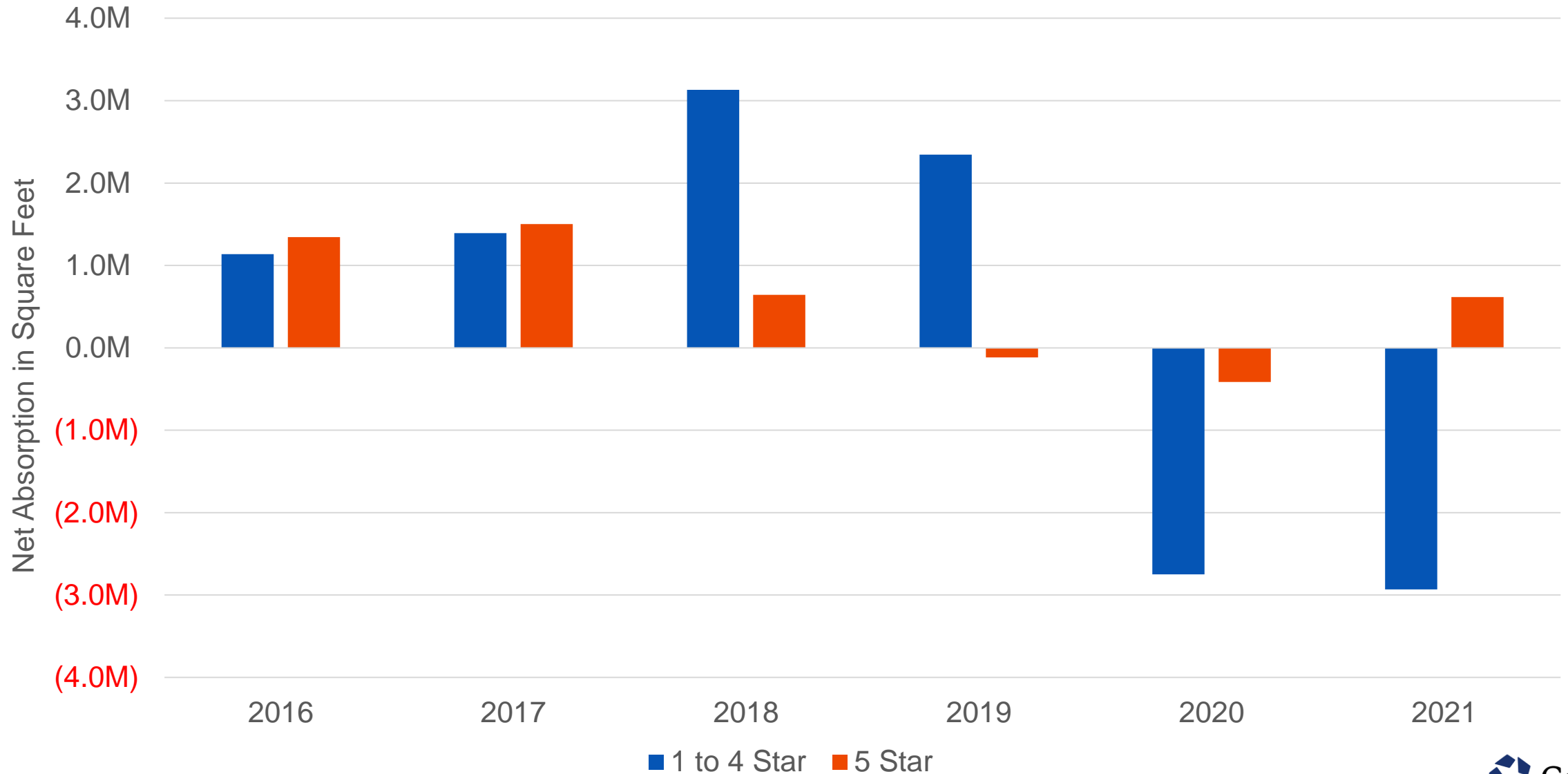


Office Market to Remain Firmly in Tenants Territory

Canada Office Supply, Demand and Vacancy

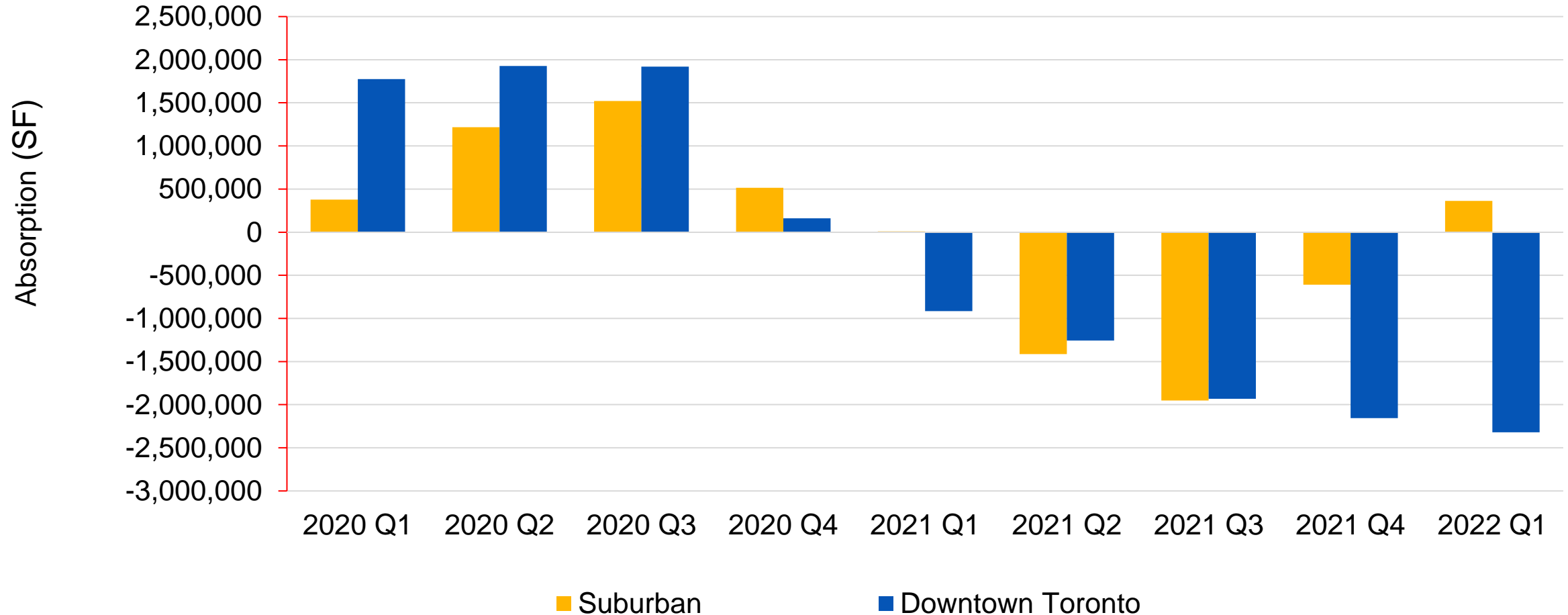


Flight to Quality in Office Markets Has Just Begun



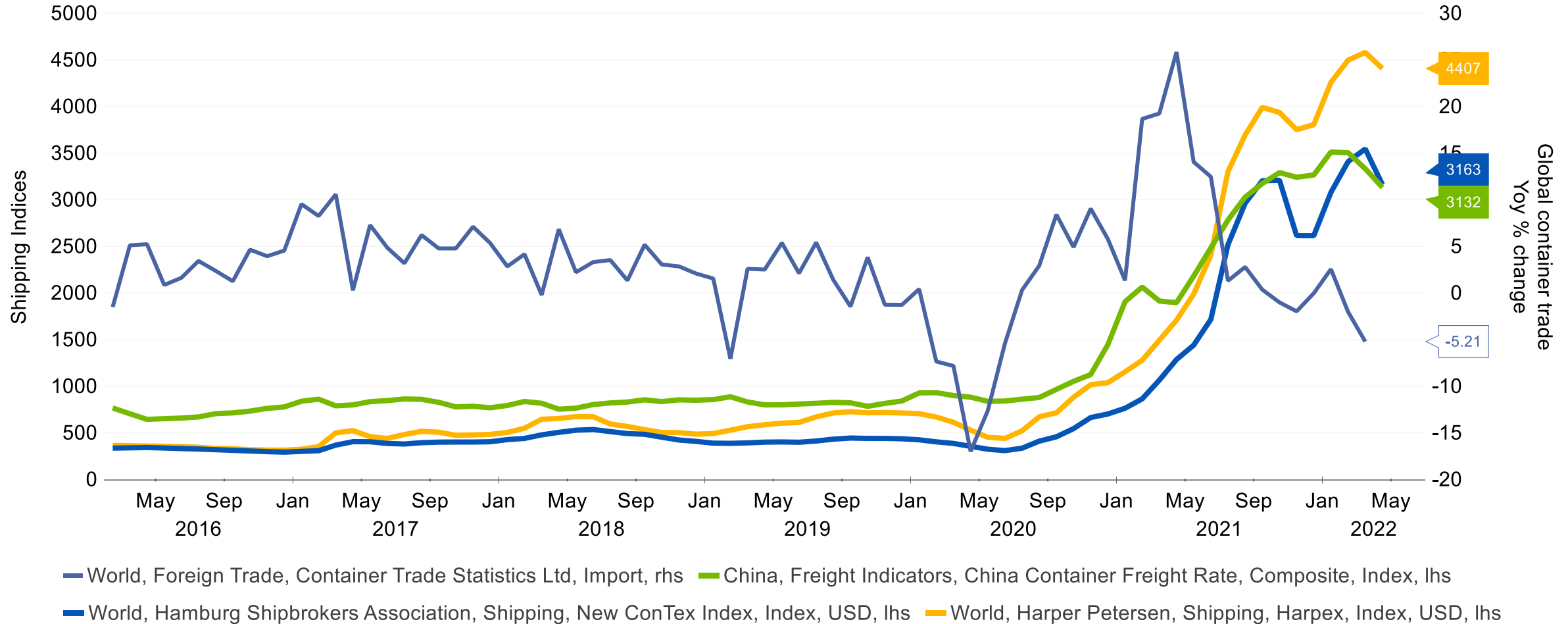
Suburbs Have Been More Resilient than Urban Areas

Toronto: Downtown vs. Suburban Office Net Absorption
Rolling 12 Months



Container Traffic & Shipping Rates Are Surging

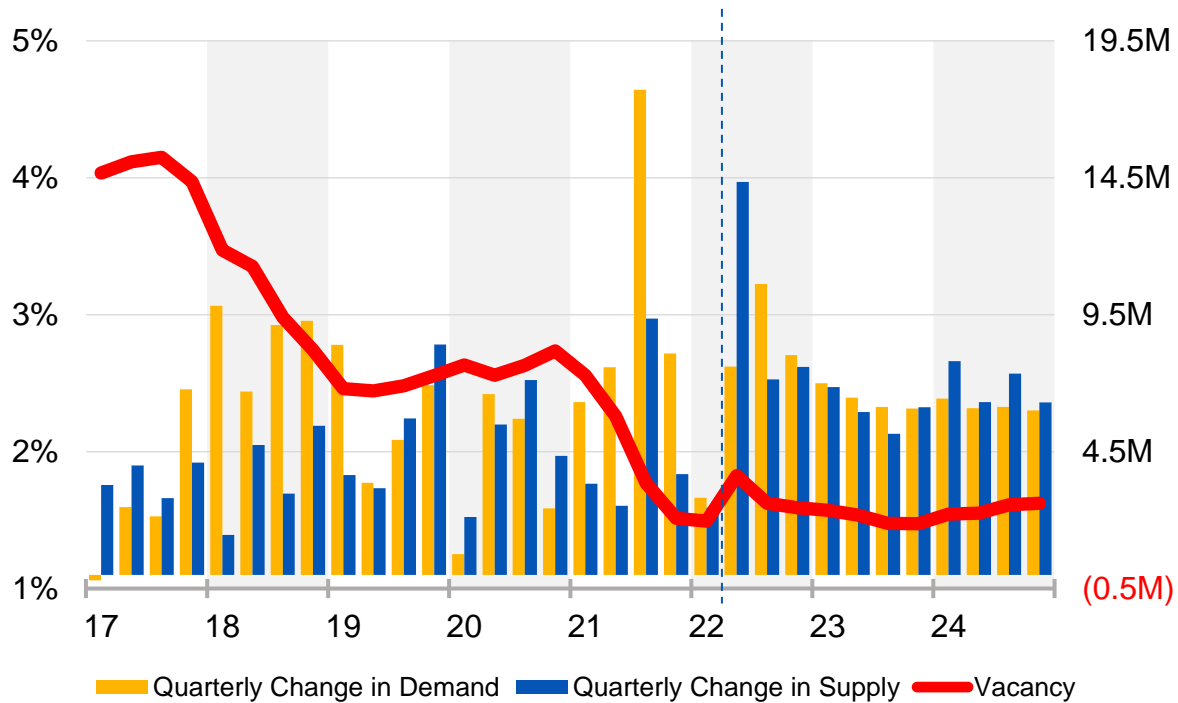
Shipping rates surge as global container trade rises



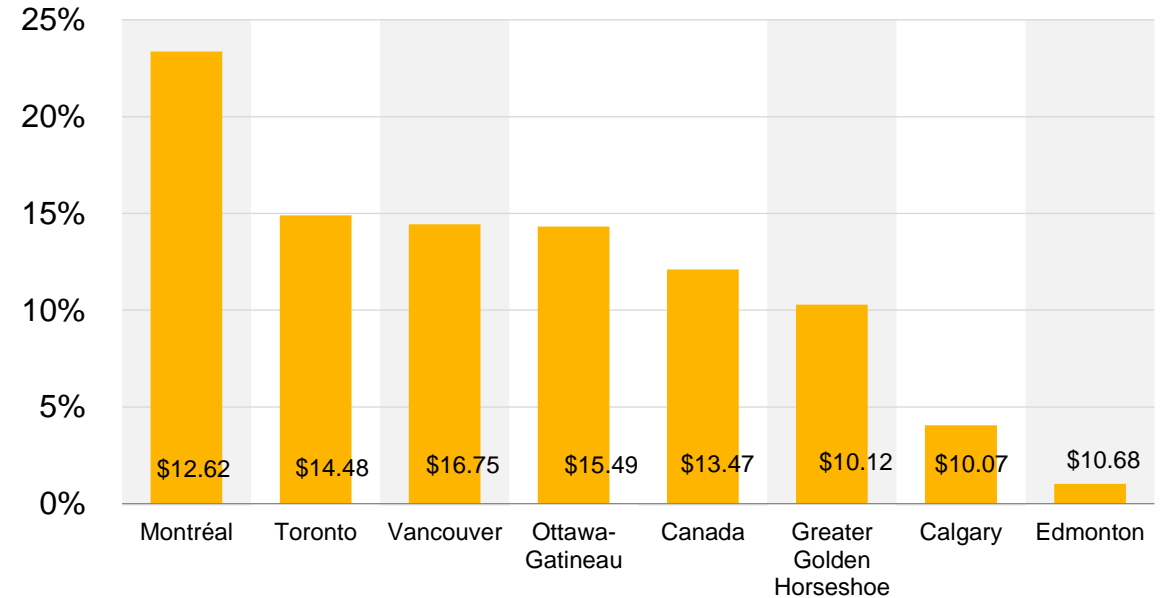
Source: Macrobond, Costar, MOT, Harper Petersen & Co., VHSS, CPB, Container Trades Statistics Ltd

Tight Industrial Market Driving Record Rent Growth

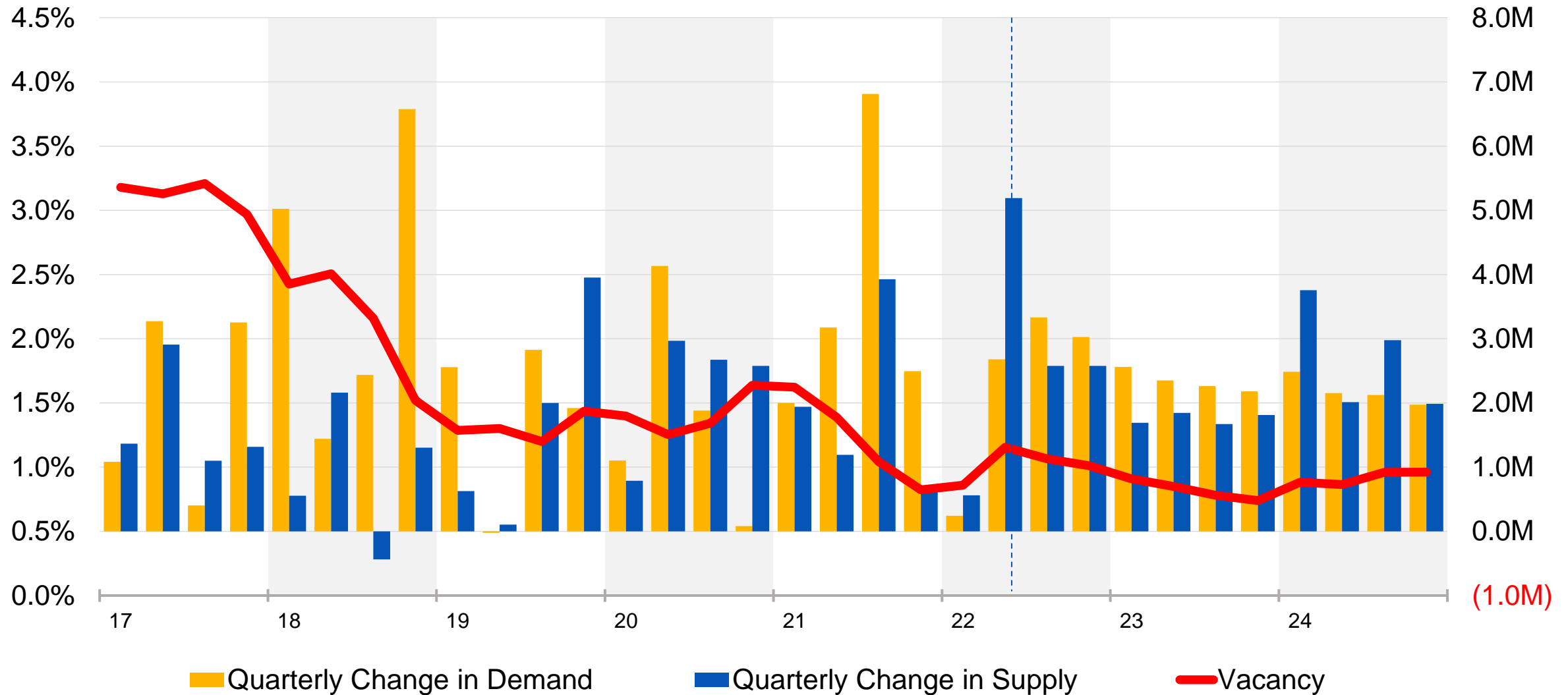
Canada Industrial Supply, Demand & Vacancy



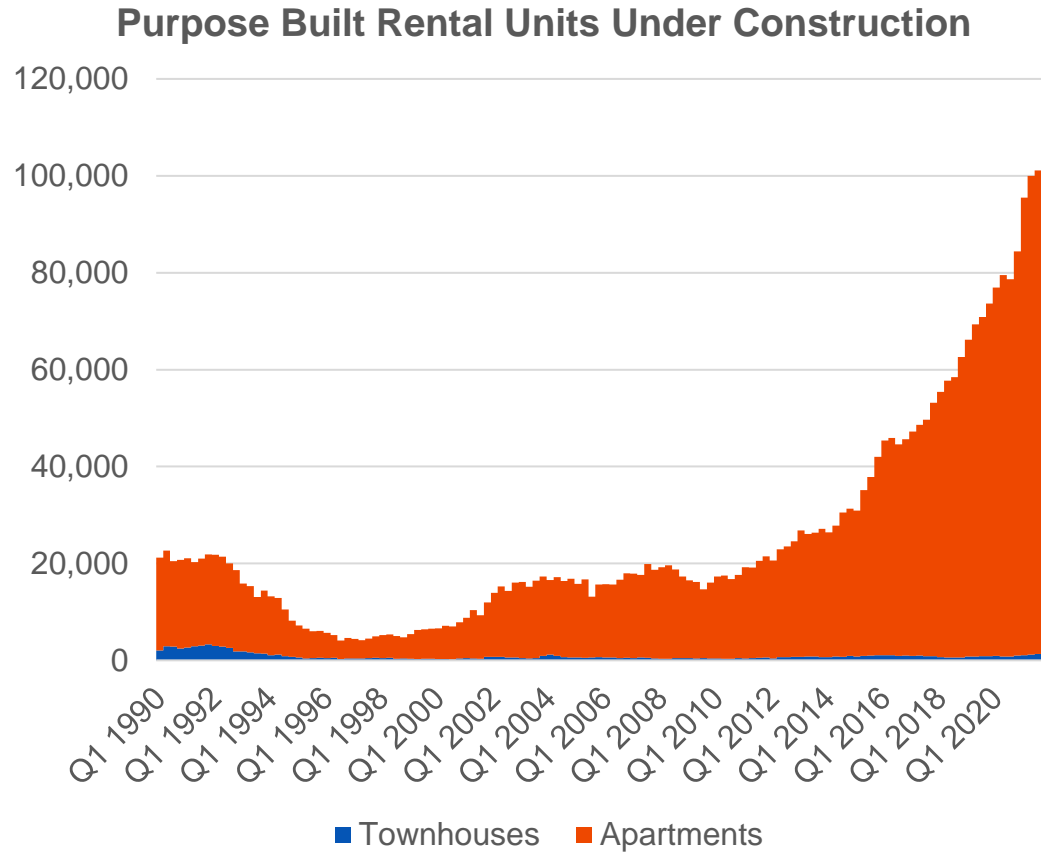
Industrial Rent Growth by Market



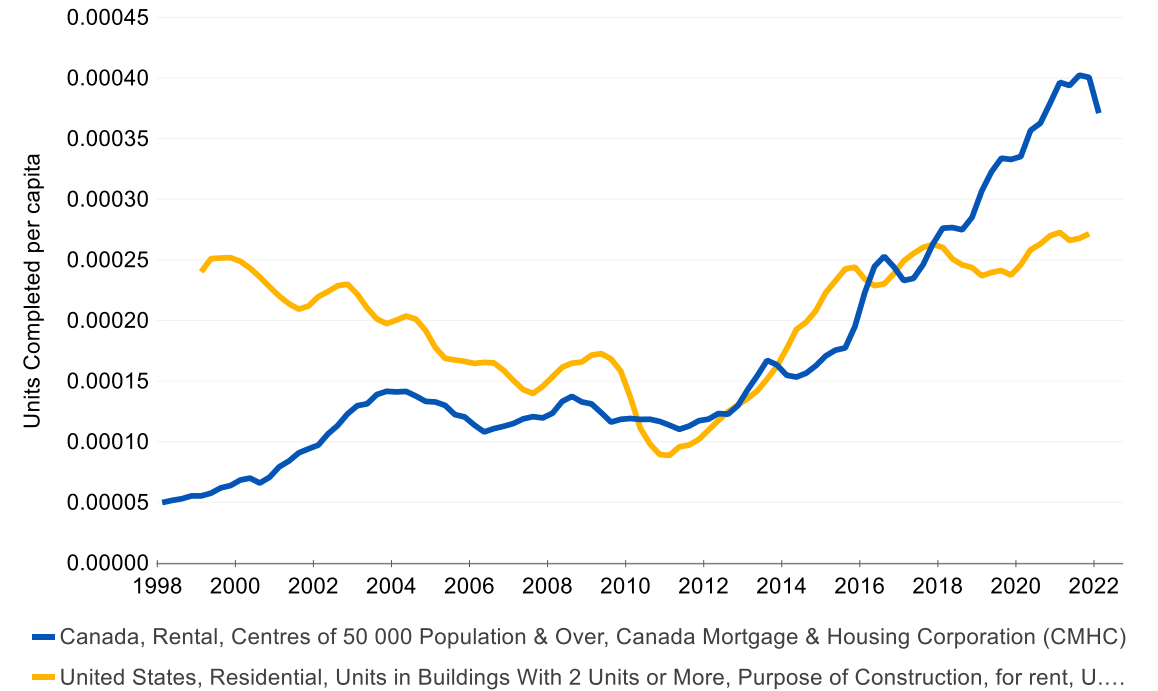
GTA Industrial Market Remains Extremely Tight



Multifamily Rental Finally Booming



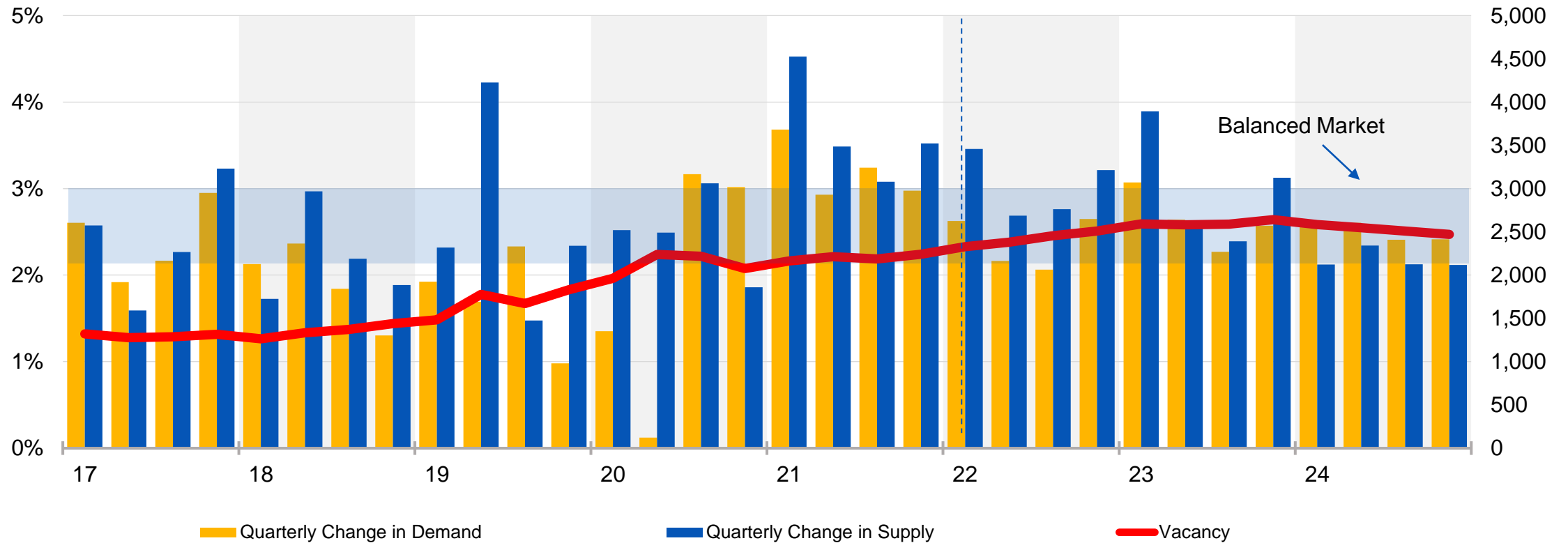
Residential Rental Unit Completions: Canada vs. the US (per capita)



Source: Macrobond, Costar, U.S. Census Bureau, CMHC

Multifamily Less Tight But Significant Variation

Canada Multifamily Supply, Demand & Vacancy



Incoming Purpose-Built Rental Geared to Higher Incomes



The Stack At Bayview
The Brown Group of Companies

146 luxury rental apartments in 145,404sf

Estimated delivery Spring 2022
s



The Well – Building F
@ 450 Front St., Toronto (Downtown)

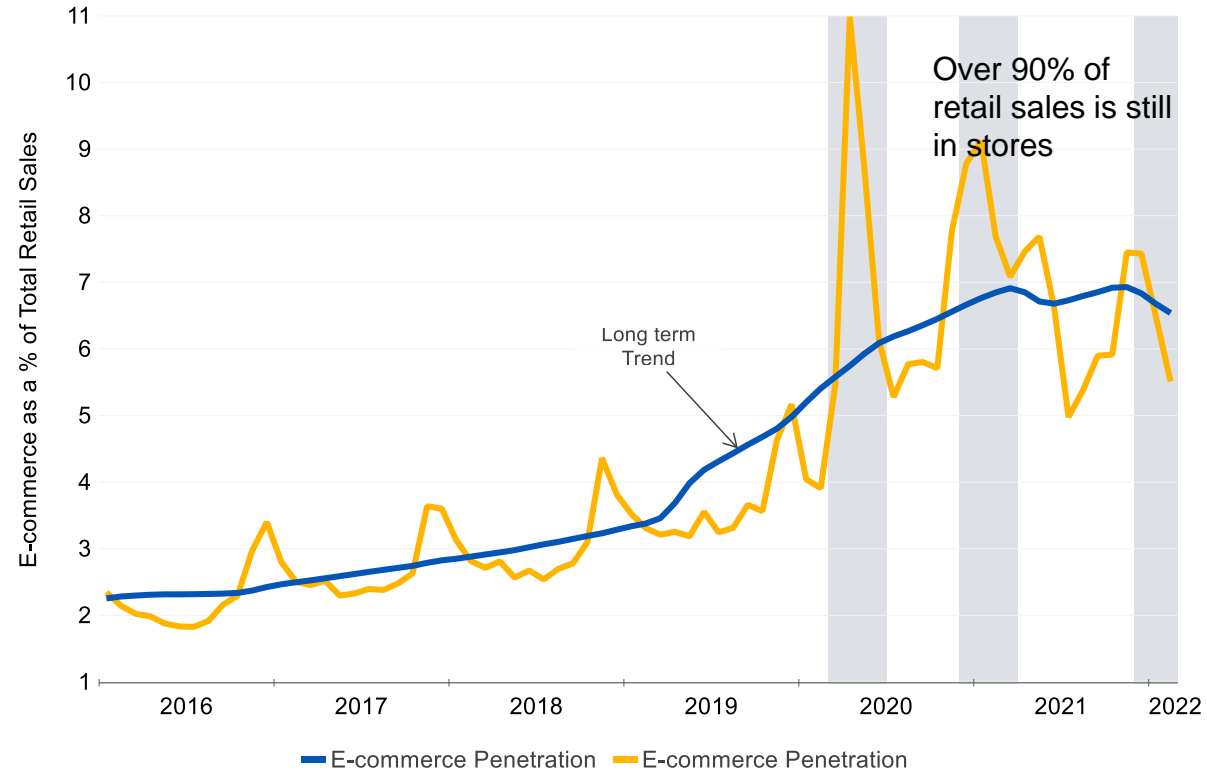
Under Construction

46-storey, 592 units

Part of the larger development including office towers, retail and condo towers

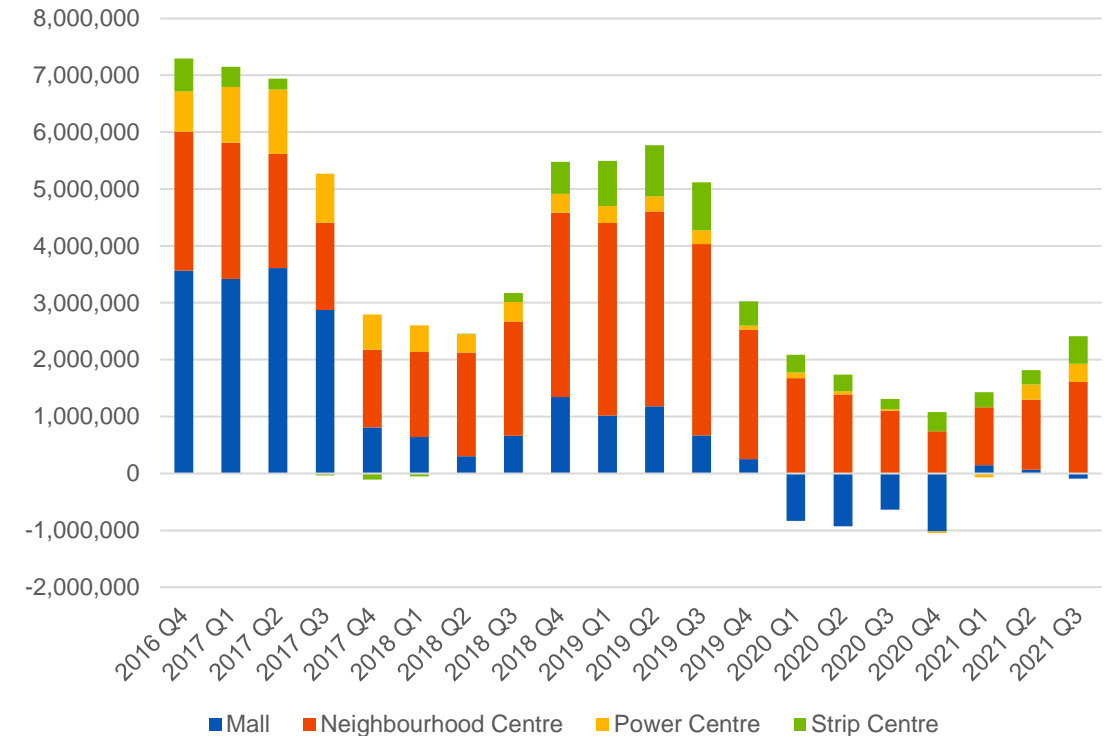
Retail Apocalypse Overstated

E-Commerce Penetration in Canada



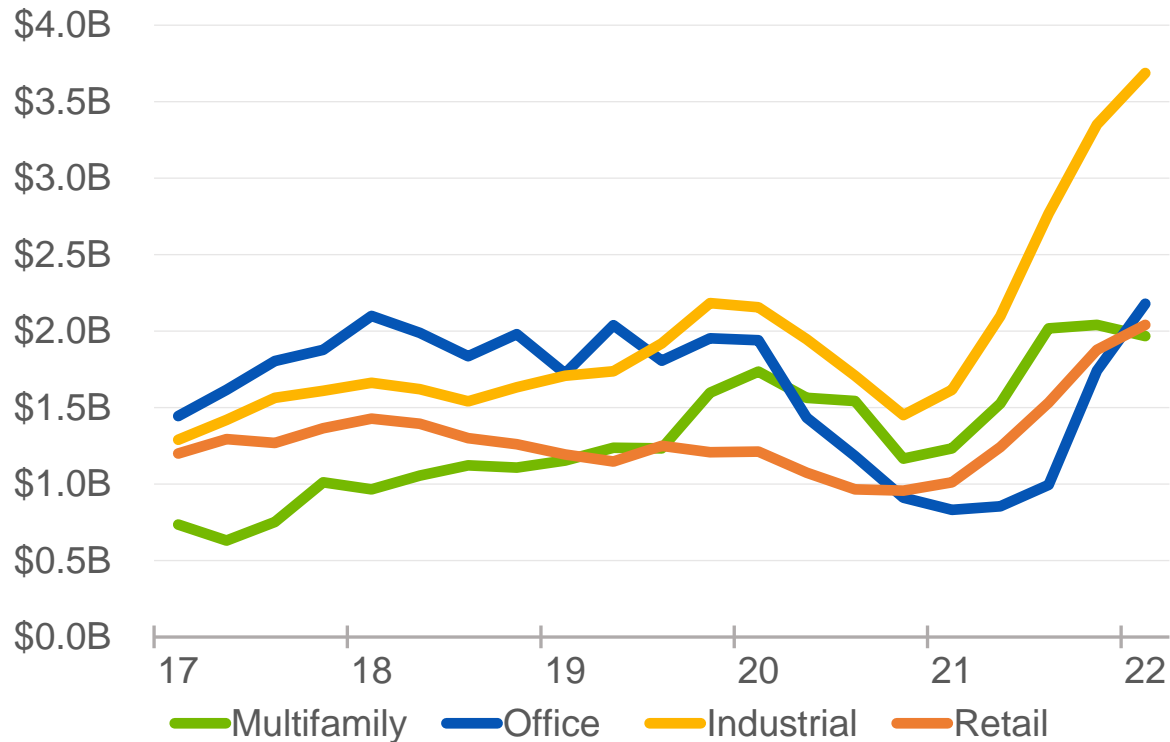
Source: Macrobond, Costar, StatCan

Rolling 12 Month Net Absorption – By Store Type



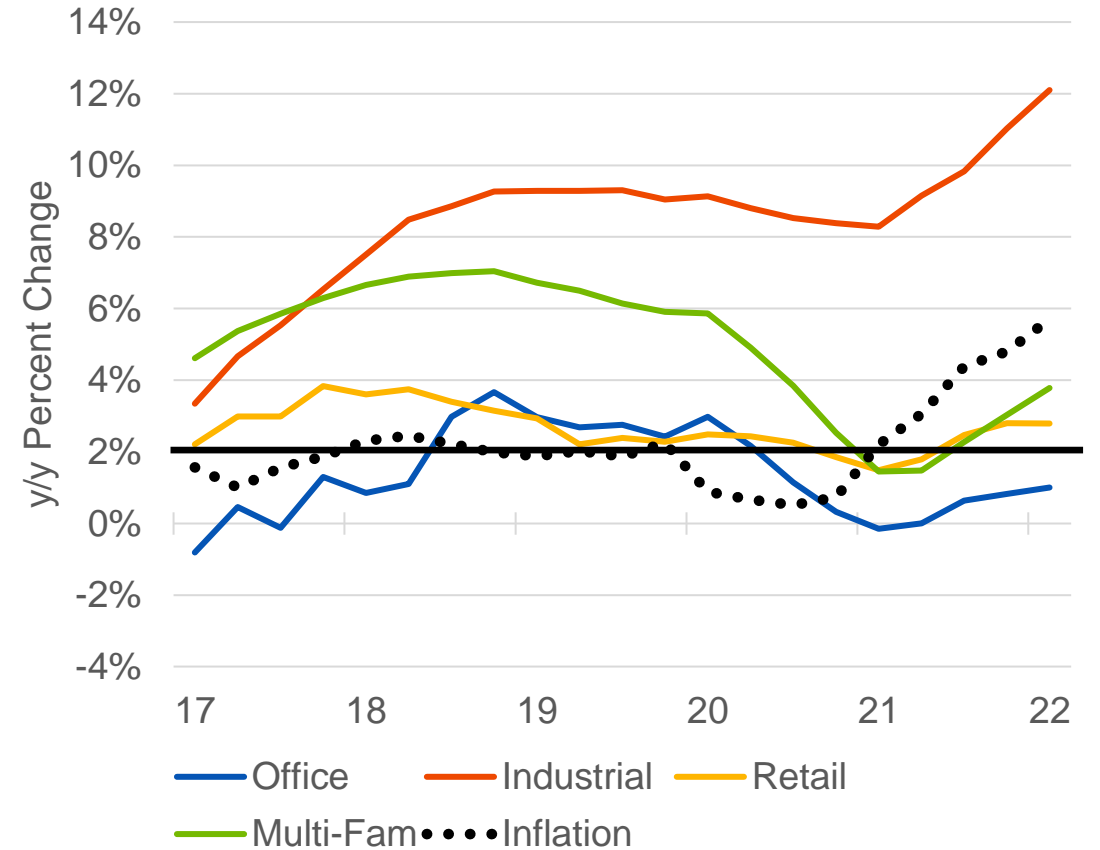
Deal Volumes Rebound / Investors Looking for Inflation Protection?

Canadian Investment Volumes*



* 4 Qtr Moving Average

Rent Growth vs Inflation



Implications & Key Takeaways

- Recovery from the pandemic continues to unfold – inflation is reawakening mainly due to global supply constraints
- Inflation likely to trend higher than policy makers would like - interest rates to readjust to less ultra stimulative levels
- Property sector in a period of adjustment both cyclically and from a secular level. Long term drivers work against office but are highly supportive to industrial. Outlook for household-driven property types (multifamily/retail) depends mainly on local/regional demographics and relative supply conditions
- Low interest rates and less uncertainty releases plenty of capital waiting on the sidelines – investors looking for growth as much as yield
- Industrial likely to remain the most favourable property type while investors increasingly scrutinize alternatives (data centres, life sciences)